

PURE MICHIGAN®

Old Town / Socks

MEMORANDUM

Date: July 1, 2014

To: Michael A. Finney, Chairperson
Michigan Strategic Fund

From: Dan Wells, Brownfield Senior Program Specialist
Daniel Leonard, Community Assistance Specialist

Subject: Grand Traverse County Brownfield Redevelopment Authority
Community Incentive Program — Act 381 Work Plan Approval

505

Request

The County of Grand Traverse Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$308,044.

Background

The school taxes will be utilized to redevelop approximately 0.19 acres of property located at 147 East Eighth Street in the City of Traverse City. The project scope will include the demolition of an existing single family home and construction of a new mixed use three story building. The redeveloped property will be roughly 20,000 square feet including four commercial storefronts on the first floor, seven residential condominium units on the second and third floors, and seven underground parking spaces. The property is currently owned by Old Towne Corner, LLC, a subsidiary of J. Socks Construction, LLC. This is a local development company who has successfully redeveloped several other parcels within downtown Traverse City and has not previously received financial assistance from MSF.

The project will energize the western end of the Traverse City downtown with a new zero lot line building and improved streetscape infrastructure including new street trees, brick pavers, new curb and gutter, heated sidewalks and the repaving of Cass Street. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property include the abatement of lead and asbestos within the existing structure, and demolition of the current building. The new construction will feature a low impact stormwater system and installation of green roofs on the second floor of the condominiums. Site prep activities such as site clearing, soil stabilization, and temporary facilities to ready the site for redevelopment will be undertaken.

Approximately 24 permanent full-time jobs are anticipated to be created by the commercial portion of the project at an average hourly wage of \$25. The total capital investment will be approximately \$2.8 million.

Property Eligibility

The project is located within the boundaries of the City of Traverse City, which is a Qualified Local Governmental Unit, and has determined the subject property to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on January 6, 2014. The property qualifies as a facility due to fuel oil, mercury, lead and zinc contamination existing on site.

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

The property is the subject of a Brownfield plan, duly approved by the County of Grand Traverse on November 27, 2013 and concurred with by the City of Traverse City on November 18, 2013.

Other State and Local Assistance to the Project

Local only tax capture will be used to reimburse \$4,221 in application fees.

Tax Capture Breakdown

There are 51.0058 non-homestead mills available for capture, with school millage equaling 24 mills (47.05%) and local millage equaling 27.0058 mills (52.95%). Per the Grand Traverse County BRA decision to support the project, the BRA is subtracting five percent (5%) of the eligible activity costs that are subject to reimbursement so that the developer makes a greater equity contribution. The five percent (5%) reduction is reflected below, reducing the total eligible costs so that the ratio between school taxes and local taxes is maintained. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (47.05%)	\$ 144,935
Local tax capture (52.95%)	\$ 163,109
TOTAL	\$ 308,044

Cost of MSF Eligible Activities

Demolition	\$ 24,450
Lead or Asbestos Abatement	28,750
Infrastructure Improvements	161,262
Site Preparation	+ 37,600
Sub-Total	\$ 252,062
Contingency (15%)	+ 37,809
Sub-Total	\$ 289,871
Interest (2.5%)	25,885
Brownfield/Work Plan Preparation	+ 8,500
Sub-Total	\$ 324,256
GTCBRA Withholding (5%)	- 16,212
TOTAL	\$ 308,044

Recommendation

The MEDC recommends approval of the request by County of Grand Traverse Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$308,044 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$144,935.

APPROVAL AUTHORITY – ACT 381 BRIEFING MEMO

The Recommendation is approved in accordance with Act 381 of 1996, as amended, and MEDC guidelines. To utilize the approval authority under Act 381 Section 15(24), the approval of the MSF Chairperson is required.

Michigan Economic Development Corporation

DocuSigned by:

Deborah Stuart

7/1/2014

09F22EF5FB6E4F3...

Deborah S. Stuart, Director, Community Incentive Programs

Michigan Strategic Fund

DocuSigned by:

Michael A. Finney

7/2/2014

D04F75D7B20342D...

By: Michael A. Finney

Its: Chairman

KEY STATUTORY CRITERIA

Act 381 requires the following information to understand and explain the benefits of the project.

a) Overall Benefit to the Public:

This development will increase urban density with seven new residential condominium units. It will also provide new commercial space in Traverse City, which is currently in high demand. In addition, it will boost pedestrian traffic in the downtown area and promote a walkable community. The redevelopment will remove an underutilized property, and bring new investment to the neighborhood.

b) Jobs Created:

Up to 24 new jobs are anticipated to be created by the commercial portion of the project at an average hourly wage of \$25.

c) Area of High Unemployment:

The Traverse City Labor Market Area unadjusted jobless rate was 6.8% in May 2014.

d) Level and Extent of Contamination Alleviated:

The property will be prepared to make it suitable for development, and appropriate due care activities will be performed to prevent exposure to materials hazardous to human health, safety, and the environment.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

The property is not qualifying as functionally obsolete or blighted.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

The Brownfield work plan is needed to reduce the long term cost of redeveloping the property. The eligible activity costs would not be present on a greenfield property and create a significant barrier to the redevelopment of the property into a higher use.

g) Whether Project will Create a New Brownfield Property in the State:

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the work plan is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



OLD TOWN CORNER

Date
Approved
by BRA

Amount

Approved

DEQ

MEDC

30-Apr-14

\$ 34,063.00 \$ 7,050.00 \$ 27,013.00

25-Mar-15

\$ 91,265.00 \$ 2,209.00 \$ 89,056.00

24-Feb-16

\$ 136,068.00 \$ 456.00 \$ 135,612.00

\$ 261,396.00 \$ 9,715.00 \$ 251,681.00

BALANCE AFTER PAYMENTS

\$ 138,396.00

Jan-17 \$ 66,000.00

13-Dec-17 \$ 57,000.00

0/6